



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 24, 2008

### **H.R. 6225** **Improving SCRA and USERRA Protections Act of 2008**

*As ordered reported by the House Committee on Veterans' Affairs  
on July 16, 2008*

#### **SUMMARY**

H.R. 6225 would require courts to grant injunctive relief, when appropriate, to veterans filing claims against state or private employers under the Unformed Services Employment and Reemployment Rights Act (USERRA). The bill also would apply to student loans the current 6 percent cap on interest on outstanding debt obligations of people serving in the military. CBO estimates that implementing the bill would not have a significant effect on the federal budget.

H.R. 6225 would impose several intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would require public institutions of higher education to refund tuition and fees to servicemembers if they must leave school because of military service commitments. The bill also would prohibit governmental entities from charging fees to some servicemembers for terminating utility contracts, and it would prohibit state and local governments from imposing certain taxes on some spouses of servicemembers. In aggregate, CBO estimates that the costs of the intergovernmental mandates in the bill would total between \$40 million and \$50 million in 2008 and similar amounts annually thereafter; such costs would not exceed the threshold established in UMRA (\$68 million in 2008, adjusted annually for inflation).

Section 4 of UMRA excludes from the application of that act any legislative provisions that enforce the constitutional rights of individuals. CBO has determined that section 6 of H.R. 6225 would fall within that exclusion because it would protect individuals' voting rights. Therefore, CBO has not reviewed that section of the bill for mandates.

The bill contains provisions related to education expenses (in section 3) and service contract fees (in section 4) for certain members of the military that would impose private-sector mandates as defined in UMRA. CBO estimates that the cost of complying with those mandates would likely be below the annual threshold established in that act (\$136 million in 2008, adjusted annually for inflation).

## **BASIS OF ESTIMATE**

H.R. 6225 would require courts to grant injunctive relief, when appropriate, to veterans filing claims against state or private employers under USERRA. Servicemembers can file USERRA claims if they believe they have been terminated from their job or lost certain promotions or benefits as a result of their military obligations. Information from the Department of Justice (DOJ) indicates that in 2006 four complaints were filed in federal district courts on behalf of USERRA claimants. Because CBO expects that the bill would not appreciably change the workload of federal court personnel and DOJ, we estimate implementing this provision would have no significant effect on the federal budget.

The bill also would extend to student loans the current 6 percent cap on interest on outstanding debt obligations of people serving in the military. This cap would only be in effect while the person is on active duty and only for debt accrued prior to active duty. CBO estimates that this change would have a minimal cost for several reasons. First, many current borrowers have loans with interest rates below the cap. Second, many of those loans already carry a deferment from repayment for those serving in areas of conflict. Finally, the statutory payments to private lenders would not be altered by this proposed change.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 6225 contains intergovernmental mandates as defined in UMRA. CBO estimates that the costs of complying with those mandates would total between \$40 million and \$50 million in 2008 and similar amounts annually thereafter. Such costs would not exceed the threshold established in UMRA (\$68 million in 2008, adjusted annually for inflation).

The bill would require public institutions of higher education to refund or credit tuition and fees paid by servicemembers who have to leave school because of military service commitments. In addition, those institutions would be required to provide servicemembers who discontinued an educational program because of military service an opportunity to reenroll with the same educational and academic status held prior to their military service. Information from state and higher education officials indicates that public institutions of

higher education in approximately half the states already extend similar benefits to servicemembers, either because of state law or institutional policies. CBO estimates that those institutions not extending such benefits would incur costs of between \$40 million and \$50 million in 2008, and that the total costs would remain under the threshold established in UMRA through 2012.

The bill would impose additional intergovernmental mandates by limiting the ability of state and local governments to collect taxes and levy fees on some servicemembers and their spouses. The bill would prohibit public utilities from charging early termination fees to servicemembers and would require them to refund fees or payments made in advance for services not rendered. The bill also would limit the ability of a state or local government to levy certain taxes on the personal property or income of a spouse of a servicemember if the spouse moves into the government's jurisdiction to be with the servicemember. These requirements would be intergovernmental mandates as defined in UMRA, but CBO estimates that the costs, if any, would be small.

Section 4 of UMRA excludes from the application of that act any legislative provisions that enforce the constitutional rights of individuals. CBO has determined that section 6 of H.R. 6225 would fall within that exclusion because it would protect individuals' voting rights. Therefore, CBO has not reviewed this section of the bill for mandates.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

The bill contains private-sector mandates as defined in UMRA, but CBO estimates that the total cost of the mandates would likely be below the annual threshold established in UMRA (\$136 million in 2008, adjusted annually for inflation). Section 3 would require institutions of higher education to refund tuition and fees paid by students called to military service, reflecting the portion of the education program for which servicemembers did not receive academic credit. That section also would limit the interest rate on student loans to 6 percent per year for certain servicemembers during their period of military service, regardless of their ability to pay.

Section 4 of the bill would prevent cellular telephone, Internet access, utility, and other service providers from imposing suspension and early termination fees on certain servicemembers, except for a nominal fee for the suspension and a reasonable fee for any equipment remaining on such servicemembers' premises. The waiver would be applicable for those servicemembers who are deployed to contingency operations or are assigned to permanent stations in locations that do not support the service contracts.

CBO expects that the number of servicemembers called to military service while enrolled at an institution of higher education would be small. Based on estimates of total student loan debt for servicemembers entering the military, CBO also expects that the annual costs to lenders resulting from a reduction in the maximum allowable interest rate for those loans would be small. Finally, CBO estimates that the costs of the mandate on service providers would be well below the annual threshold, particularly since all major cellular phone carriers currently waive cancellation fees for military personnel going abroad and for customers moving to areas with no coverage.

## **PREVIOUS CBO ESTIMATE**

On August 28, 2007, CBO transmitted a cost estimate for S. 1315, the Veterans' Benefits Enhancement Act of 2007, as ordered reported by the Senate Committee on Veterans' Affairs on June 27, 2007. Section 804 of that bill is similar to section 4 of H.R. 6225. The earlier bill, however, included provisions only for the suspension or termination of cellular phone contracts. CBO determined that S. 1315 contained a private-sector mandate only on cellular telephone service contractors, and the costs of that mandate would likely be below the threshold established in UMRA.

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